FT interview transcript: Lamido Sanusi, Governor of the Central Bank of Nigeria.

By Tom Burgis

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Lamido Sanusi's attempts to reform Nigeria's financial sector since he took over as central bank governor in June have been so dramatic that commentators have dubbed them the "Sanusi tsunami".

In the aftermath, widespread abuses have emerged. Mr. Sanusi has bailed out nine banks to the tune of $4bn and fired the management at eight if them. In doing so, he has challenged some of the most powerful interests in sub-Saharan Africa's second biggest economy.

In a wide-ranging interview with Tom Burgis, the FT's West Africa correspondent, at his Abuja office on December 14, Mr. Sanusi vowed to continue his battle, defended himself against critics who claim he is overstepping his mandate and outlined how he plans to restore the banking system to health. Below is an edited transcript.

Financial Times: We've had this "Sanusi tsunami" through the banking system. After the drama, now you're trying to piece this system back together. Are we now moving on or are you still fighting the same battle you were fighting at the start?

Lamido Sanusi: I think the battle will continue to the extent that battles are fought on two fronts at the end of the day. You've got two parties. You don't just toss something like this and walk away from it. They are not going to let you walk away. They are not going to walk into jail. So once you start this, you are in a fight until the end. For me, and I've said this over and over again, some of what you've seen in banking is just symptomatic of all that is wrong with the country.

FT: Just elaborate on that a little bit.

LS: If you take the abuse of office, if you take the corruption, if you take the impunity with which the rich do break the law, it's something that happens across the board. The people you are dealing with are not isolated individuals. They are part of a group. They are part of a caste. They've got allies in politics. They've got allies in bureaucracy. And their allies work with them and they stick together. So it's never easy to just say you are dealing with these CEOs [who were fired and face criminal charges] and that's the end of it. You've got to realise, it would be very naïve to think that all the people who have been beneficiaries of their largesse, the political parties that have received donations, the politicians that have been funded, the sentry consultants and contractors that are around them, it would be very naïve to think that they are just going to watch you basically cut off what they see as a major source of financing.

FT: Is active resistance then from all those quarters to what you're doing?

LS: Yes. I mean, you feel it. You feel it in the newspapers. You feel it in the kinds of roadblocks that people are trying to throw in your way.

FT: What sort of things?

LS: Exaggeration of, for instance, the impact of the credit crunch. I mean that credit has grown by 20 per cent between March and November but everything you hear is that the banks are not lending; the allegations against EFCC [the Economic and Financial Crimes Commission] criminalising debtors and therefore stifling entrepreneurship. Perhaps some of the newspaper advertorials, they have been going on, full page adverts in all national dailies which have probably cost over [Naira] 100m so far, just aimed at discrediting a process. These are all part of fights. And we still don't know how far they are going in the judiciary and the extent to which they will try to compromise due process.

FT: Do those judicial battles imperil the whole exercise?

LS: I don't think so. I think that if you are talking about financial sectors to be convinced, they've got to deal with the regulatory issues, you've got to deal with the macro-prudential issues, but you also deal with the governance issues. And they all go together. I don't see how you can deal with governance issues until you actually make the point that there are consequences for certain types of behaviour. So for me, they are just one part of a total financial stability initiative.

FT: I spoke to a few bankers in Lagos before coming up here and some say that you have opened too many fronts, that when you think of those big names who are on that debtors list or the big names who owned those banks, you seem to be fighting a battle against the most powerful people in Nigeria. Can you win that? Other people have tried to do these kinds of battles and they've lost.

LS: At the end of the day, if you don't battle them, they will battle you. They hang together. And from the very beginning, my attitude was, if I move against these CEOs, who else is likely to come after me? There's no point pretending. There is no point behaving that you don't know that these are the people who are fighting against you. And I didn't open up the front. The only way you can avoid fighting these people is to do nothing. There is no way they are going to let you do it. And so will we win? I don't know. I'm not even sure it's about winning. For me, it's about doing what we think is the right thing. Nobody every guarantees that his actions would change a system but one thing that is guaranteed is that inaction never changes a system.

FT: Do you think one person on their own could change Nigeria?

LS: I'm not even sure that I'm one person because look at the kinds of things that are happening, for example. Take the extraordinary support of the president. It wouldn't really be correct to say that this is one person. What we have done, for instance, we couldn't have done without a president who says I will give you support. You show him the facts, told him that this is the situation and we really need to do something about it and he says go ahead. And he sticks to it in spite of whatever pressures he comes under.

We've had an Economic and Financial Crimes Commission that has stepped up to the plate. Now, I don't know are the issues people have with the EFCC prior to this, but from the beginning of this process, every time I have said, look, this is a problem, I need to arraign this person, I need to check this person, I need to look at this, they've come out and they've given it.

We've had, from time to time, to speak to the finance minister because from the very beginning, the decision not to let banks fail, for us, would entail some financial costs. And again, he just issued a statement yesterday, a statement of support after the banking numbers came out [showing some heavy losses]. No panic locally but you still want to have that assurance coming from the minister of finance that despite what the numbers are, the government will continue to stand behind these institutions.

FT: But the president, of course, has been sick and out of the country for three weeks. That support, presumably, isn't there at the moment.

LS: It is. He's still the president. I'm assuming that I have the support of the presidency. No one has signaled otherwise. Frankly, for me, I will continue doing what I'm doing and continue to at the best of my abilities. Whether the support will continue, I know that up to this point I've had no reason to think that that support has waned.

FT: But the support of the president has been very important to what you're doing.

LS: Naturally it is. The support has been important. Political support is important to the success of whatever we want to achieve, precisely because the central bank needs other agencies of the government. We need legislation at times. We need the EFCC. We need the police. We need the state security services. We need physical protection for ourselves against anybody who may want to take…

FT: Have you increased your own security?

LS: Well, the government did.

FT: The government decided you needed more security?

LS: Yes. From the very beginning, the president decided that there was no point taking chances. It was from August 14th [the date of the first bail-out and dismissal of executives]. He basically just asked that the security around me be increased.

FT: Can I ask you about the asset management company [AMC, the proposed vehicle to take toxic assets off the banks' balance sheets]. The national assembly goes on recess very soon. They're not really going to pass it by the end of the year, are they?

LS: I think they will. The AMC bill, remember, is with the House of Representatives committee now and they are going to arrange a public hearing this week. And ultimately once they pass it in theory, the Senate can just concur.

FT: Yes, but do you think that's likely?

LS: We are pushing and pushing for it.

FT: What's holding it up?

LS: It's a big bill and also, unfortunately, it got to them at a time when it just was getting towards the end of the year. But we've tried as much as possible to, in advance, engage them. We gave them advance copies of the bill, we had discussions with key officers and explained to them what the bill was and what we were trying to achieve. We had an advance discussion with the president before the bill came to him, to basically see if there were any reservations. So we've tried to do that and that helps smooth the way.

FT: Can you give us some of the details? I remember when you were talking in Cape Town, it was Naira 350bn to 400bn. Is that roughly how big the thing is going to be?

LS: Well, it could potentially be anything up to a trillion [naira]. It depends on what asset you are taking. If you took margin loans and loans secured by shares, given where the market is today, we're probably about 300 billion. And also proprietary positions that are waiting in the banks.

FT: The prop positions are included in the 300?

LS: Yes, because the market has lost 70 per cent off its peak so now some of those might even be worth much less today. If you look at what happened after the publication of accounts they are probably going to lose even more. So in terms of what valuations we place on those, we would obviously be concerned to place on them a value that would represent some significant recovery on the books of the banks because that's part of the resolution process. So in a sense, the AMC is a vehicle for not just a resolution of a toxic acid problem but the recapitalisation of the institutions.

FT: You buy somewhere between what they paid and the price now and then you split the upside? Is that how it works?

LS: In a number of cases, to be honest, unless you bought the shares of the banks or the shares of other companies, the upside is not likely to be much. There are also cases where the collateral is not stock market.

FT: This is the oil loans business or real estate.

LS: In one of the banks, for instance, you've got huge insider-related transactions. The loans given by the CEO to herself or to her family members or to companies and SPVs floated instead of by her. But we also have assets that we've identified in Ikoyi, in VI [both wealth Lagos islands], in Abuja, in Port Harcourt, in Dubai. And there will be a whole legal process for forfeiture of those assets. So in theory, you could take that whole class of loans and buy at some discount from the bank and then the AMC gets those assets when the legal process is completed. And that is where you get the recovery.

FT: Is this across all the banks, are there similar cases? How much do you think is that chunk, in that real estate recovery?

LS: I think it will be substantial. If you take a bank like Oceanic, which is the one we are talking about, about 70 per cent of the loan is non-accrual. At least 70 per cent of that is somehow or other tied to the CEO and her family. So it looks like a big problem but it's really a rather simple problem to resolve because you would then say, look, I want 70 per cent of your NPLs. I buy at 80 or 90 per cent and you just go and take it as recovery. And the EFCC then goes after all those assets and more. And then we can see what we can recover.

FT: But this is a new phase of recovery, isn't it? This is a new phase of the recovery process because we've all been thinking about the stocks and the oil speculation but you're talking about going after the hard assets.

LS: Well, yes, we always talked about the stocks because that was the quickest one to do and was what we thought we could do before the end of December. It's not looking likely now. It might spill over into January but these stocks are easy in the sense that you can say this is the value today. This is what was paid for them. This is what we are paying.

You could pay multiples, you could pay a premium but at least you know exactly what you are doing. With the property assets everywhere – and note Dubai property has gone down as well, so you have the same, property in Dubai, it was the same bubble that has also passed – you have a similar situation but the valuations are a bit more difficult, a bit more complex. So ultimately I think that the major consideration is going to be that we are in a very fortunate fiscal position today. We run a notional fiscal surplus. We have a current account surplus in excess of $6bn –

FT: But in real terms, you're going to be in an enormous budget deficit, $10bn.

LS: Well, we had a budget deficit last year. A $10 billion deficit, if we spent all the money, yes. But if you took a one trillion naira cost for resolution, it's $10 billion over 10 years, so it's one billion additional [annually], okay? And today the gross national debt is about 11 per cent of GDP. So a trillion naira, I keep saying, with a GDP of 55 trillion, a trillion naira is less than 2 per cent of GDP.

To be conservative, I would say if we spent a trillion over the ten year period, we may recover 50 per cent of that. So I would think that there would still be a net cost to the taxpayer for the other 500bn.

FT: How does that break down?

LS: Well, at the moment, the number of a trillion, I'm looking at the hole in the capital of the banks. We've now then got to do a complete breakdown of what that hole is. Now, it's not that the hole would be proprietary positions that have been wiped out because of capital markets' crash. Hopefully if the shares remain, as capital market recovers some of that, it gets recovered. Some of them would be loans given to stop brokers and other operators secured by shares; again they're capital market related. Some of that would be loans taken by insiders for which they are personally liable, and that would include finding all assets and if we establish that they took the money, then under the law, irrespective of whether or not those assets were just collateral, we can go for forfeiture, so we would then try to go after as much as possible from their personal wealth. And clearly there would be monies that have been lost. Loans that have been given, there is no form of tangible collateral, there is no recovery and so on and we do think that would possibly be substantial.

FT: To use that example of Oceanic, you said 70 per cent of the entire loan book was NPLs. So what number is that?

LS: Let's put it this way. As of September, when we looked at the numbers of Oceanic, a total of about Naira 250bn was tied to companies that were owned, partly owned or floated through fronts by the MD and members of her family. And those are the cases that are being brought to a court of law. Now, that represents about 50 per cent of the total number of loans for the bank.

FT: So this race to pick up these assets is going to be a big part of the recovery, isn't it?

LS: Yes. But we don't want the banks to wait until the assets have been picked up before they can get back to business.

FT: This is the purpose of the AMC?

LS: Yes, that is one of the purposes of the AMC, just to get the banks moving while we continue with this long process of recovery.

FT: What exactly are you counting as a troubled asset? Any NPL?

LS: Yes, any NPL that has had provisions that have hit the banks books.

FT: Is it counting an NPL as no repayment for three months?

LS: Yes, passive for three months, but typically you would expect that the banks, if it's a voluntary process, the banks will be just handling the NPLs where they think that there's really some likelihood of recovery.

FT: Just to come onto the question of solvency of the banks, these losses we saw in the Q3 results were much bigger than the amount of the bail-out. Four banks came close to $10 billion.

LS: Yes, but the bail-out was never to cover losses and the bail-out was to meet obligations. It served that purpose. They've not defaulted on any obligations. The whole purpose of the bail-out was to give them enough to make sure that they could meet their obligations with their creditors and not be under any pressure to repay. And that purpose was served.

It was always clear, to arrive at the full extent of the financial requirements you'd need a more thorough job. Look in the United States, in Europe, the banks are still taking write-downs 24 months after they started. The market moves, they discover new things.

FT: For the whole sector there are big hurdles to come, aren't there? December 31 [when all the banks have to report to a common year-end for the first time] will be what Warren Buffett talks about when he says it's only when the tide goes that you see he's been swimming naked. That is the first time all the banks have had to be solvent on the same day ever. Are you confident that is possible? Because, as we know, in the past banks have shifted assets between themselves to make sure that when it comes to their day they look good. There is a risk of renewed panic, isn't there?

LS: No, I don't think so and I'll tell you why. Before September, as far back as June we put a temporary stop on off-balance-sheet engagements. And that is partly why we were able to see all what you saw. We then, in October, issued guidelines for what needs to be published [in results up to] September 30. And those are numbers that would reflect our auditor's provisions and any other provisions, losses that came to light, unless there were recoveries. So, in a sense what is being published now already captures most of the bad news.

And that was the whole idea. So, in many cases you would see that December is an improvement of September because there will be recoveries, and September was more or less the worst case scenario. It is sad that we may not be able to actually implement something of the AMC, but if we were able to take, even if it was just margin loans, that would lead to improvements in NPLs and liquidity issues and capital issues across the board. So, it is about how quickly we can do that. If we can do that before December 31 the numbers will be much better.

We're not claiming that all our banks are strong, we're not claiming that the financial system itself is solid and that there are no vulnerabilities. We're saying there are weaknesses, we're saying there are problems, but we are also saying that we have determined exactly what the problems are, and we are not concerned about our ability to handle those problems. We know where the solution lies. The country has the balance sheet to take care of the problem in the worst case scenario.

FT: What happens when the guarantee [on inter-bank lending] runs out at the end of March?

LS: We extended the guarantee, and we will extend it for as long as we need to extend it until we have financial stability.

FT: Will this go on for years?

LS: No, it can't. This problem with all the banks will be resolved during the course of 2010.

FT: So, the end of 2010, what will we have arrived at?

LS: Well, a brand new financial system, a completely new reorganisation. The banks, all these banks will not be there; in one form or the other they will either have been re-capitalised and under new management or they will have merged with other institutions.

FT: Is 15 banks or thereabouts still your target?

LS: I never had a target of 15. I was asked if I thought there would be a chance, and I was asked what my guess would be, and I said we might have about 15. In principle I don't think it's a wise idea to aim for a very small number of institutions, because the experience is that if you create a small number of very large institutions they have these too big to fail problem. And also what we've seen, by looking at the numbers since the consolidation [in 2004], is that the lending to SMEs shrunk to less than 1 per cent of total loans from about 10 per cent.

FT: That's an enormous problem.

LS: Yes, because the assets just grow. What then happens is they go from these large exposures to capital markets, large infrastructure deals or large exposures to multinational corporations, and they basically don't have the time to deal with SMEs. So, it is never really a good target to say you want to have a small number of very big banks. But if you have banks that have been decimated by bad management and they clearly are not going to be viable in the long term on a standalone basis, either because they might not be able to raise the capital or because they don't have the management depth to continue, if you have the capital then it makes a lot of sense to let them go into a safe harbour.

FT: Another thing you said in Cape Town in October was that those discussions with potential foreign investors were imminent. Are those discussions now underway?

LS: Yes. The financial advisors are talking to likely investors, in the sense that they have obtained expressions of interest. A number of the banks' boards have given them the formal mandate to seek and to solicit for investors.

FT: These are Standard, Deutsche …

LS: … and Chapel Hill Denham. So, where we are today is we think there should be a technical bid process, where the primary concern is to see if there are institutions that have expressed an interest in coming to Nigeria, and that these institutions have a track record and an ability to run a bank. And the next stage, obviously, is then what would it take to make this deal happen, and that is when we come to the financials.

FT: So, where are we now? Are people preparing these technical bids?

LS: I think at the moment what we've had is we've had a number of road shows; we've had a number of institutions that have said they might be interested. Some have said, look, we'll wait for the numbers to come out in December. We're trying to engage the universe of interest and to see what is likely to be a serious interest and what is just fishing, and then try to assess the likelihood of a deal actually materialising. A bank might be interested; their regulator might not support it. So, that process is ongoing.

FT: If I want to buy a Nigerian bank would I have had to run a bank in Africa before?

LS: No, I don't think so. I think once it can be established that if it's a bank, it's a strong bank, it should be fine because then they know what it takes to run a bank.

FT: And is there scope for internal consolidation as well, for strong Nigerian banks?

LS: Yes, a number of banks have expressed an interest. Some of them probably don't have the capital at the moment. One of the models that seems to be gaining currency is the possibility of a foreign bank coming into an unaffected Nigerian bank, and then using that as a stepping stone to acquire one of the troubled banks.

FT: And that is another thing that is in discussion?

LS: There are one or two cases of possibilities of that happening.

FT: Do you have a rough sense of time when you might want to get around to this technical bid process?

LS: It's on. I think that we should be able by early next year to have a list we've basically told people that would like to have expressions of interest in by January. The advisors will tell us these are the people that express an interest in these institutions, and in our view this should be your preferred partner or this should be your next preferred partner. And then we can go and either say go ahead and talk to them and see.

FT: And how many foreign banks have expressed interest?

LS: I don't have an exact number now. I'm aware that [the advisors] have talked to about four banks, I think. And they've also had a few investor groups who have said that they would like to come in.

FT: But how can you sell what you don't own? You put in these seven-year convertible bonds, that was the bail out, but that doesn't mean that you own those banks.

LS: Well, two things. Whatever we do will have to be governed by the law. So, if we need anybody's approval to sell we would get that approval to sell.

FT: Including existing shareholders?

LS: If we needed those approvals we would.

FT: But what if they're not forthcoming?

LS: We will cross that bridge when we get to the bridge. You've seen the numbers: technically these banks are creditor-owned banks.

FT: This is an effect of last week's losses, isn't it? [Existing shareholders] have been wiped out basically.

LS: That's it; it's very clear on the books now. But are the institutions worthless? No. Should we then cancel all the shares and make them zero? No, I don't think we should. If we can get into a situation in which they [existing shareholders] end up with some value in whichever new entity then that is what we would prefer. And we would engage them at the appropriate time.

FT: But you have to effectively nationalise these banks first in order to be able to sell them.

LS: Not necessarily. This is effectively purchase-on-assumption, isn't it, when you do the AMC. You are effectively selling off, delivering a clean balance sheet to an investor and returning some residual value to the existing shareholders. We don't want to nationalise. If we have to we will; if it becomes very difficult to find an appropriate investor, an acceptable investor. It's not to gain. I keep saying it's not about the money. It's very easy to say ministry of finance, why don't you just put in [Naira] 200bn to this bank and acquire 80 per cent, and then pass the appropriate laws to allow you to nationalise, and just expropriate. But experience is that the government is not the best manager of institutions, and it is not what we want to do. Not that the private sector has proven itself to be totally immune from problems, but I think over time it's been shown over and over again that you have a much better chance of having well run institutions if you allow private institutions [to] just own them. So, if there is going to be any kind of government ownership at all it probably will be a minority stake purely for also providing capital, to be disposed of as quickly as possible.

FT: What about how these banks are being run at the moment? Are they reporting personally to you, these MDs?

LS: No.

FT: But have you issued any instructions? Did you, for instance, tell those banks to sell their private planes? Did you tell them to reduce jobs?

LS: No, I didn't. The relationship between the regulator and operator sometimes works on the basis of moral suasion. The private jet thing became a big issue in the market. In some institutions they will tell you they've got offices across regions, sometimes they travel, and it's convenient to have these jets and the costs are not very high. But the jets had become a symbol of ostentation, of waste, especially in an environment where you've got so much poverty.

I never, in a formal meeting, said to anybody to sell. But I think the signal was out there; it was very clear that I thought it to be a responsible thing to stop it. And I believe a few of the banks, maybe all the banks, decided that it would be a proper thing to do it, and they did it.

On reducing workers, I never did. These are privately run organisations. I think what you are referring to all this issue with labour. What happened was one of the banks in which we appointed a managing director wrote to the bank supervision department and said they had a problem, that their wage bill was almost Naira 5bn a month. Meanwhile their loans were non-accrual. They were not earning anywhere near enough to cover that cost. And therefore the hole was getting deeper and deeper. And the relationship officer in banking supervision then wrote to them in response and advised them to look at cost management, staff cost management, with the possibility of reducing salaries or reducing headcount because they were not earning what they thought they were earning.

Now, obviously, what happens again, when you talk about fighting, you have institutions where you've still got many staff that are loyal to the previous management, and that letter was taken and given to the press. And obviously then you've got journalists who were also working for those people and they made a lot of it, and they said well, you know, the central bank has instructed banks to reduce workers. You then had labour people who had also been provoked or incentivised who then said there is going to be a big industrial crisis for central bank. But that is basically what happened; there was never a circular. But HSBC recently laid off workers. It's an industry; it doesn't need the central bank to tell a bank to do that.

FT: The most important thing in all of this, as ever, is the real economy. And your point about lending to SMEs is interesting. Private sector credit has grown this year but it's not been growing very fast in these last few months. After six months of high drama, surely the real goal must be to have a banking system that better serves the needs of the real economy? Some respected banking executives aren't sure whether we're getting closer to that.

LS: Well, I don't know when you spoke to the banks. They probably told you that were in Enugu this weekend, and the whole purpose of that retreat was to look at how the financial system can serve the real economy. We had a lot of credit growth in 2006 to 2008; credit grew by 70 per cent.

FT: But where was that credit going?

LS: That's it, and that is the point. The credit was going to the capital markets; it was going into commodity speculation. I have no doubt in my mind that if oil prices improve and all output continues improving and you then have increased liquidity in the system, if we don't find a way of directing that credit to the real economy we are going to end up, in one way or another, in the same spot in three or four years. And that was the whole purpose of the retreat in Enugu.

FT: Where did those discussions take you?

LS: Well, we zeroed in on a number of sectors that I've got to focus on. Clearly a problem is power; the government hasn't delivered on power. And the reason in our mind is that there has been, in the last two years, so much emphasis on spending money on power and less on pushing forward the reform process.

A review of the tariffs across entire value chain to make sure that whoever sets up an IPP [independent power producer] can get gas at commercial price, and also that they can sell profitably. Recognition that there are going to be two categories of Nigerians now: those who pay 45 to 60 naira per kilowatt on diesel and those who don't have power. The belief that there is a tariff which benefits many people is untrue; many people don't have power or they get it for a few hours a day. So, this idea that there is a tariff, I looked at the numbers, we pay the equivalent of 6 cents per kilowatt hour, but we have the most inefficient power supply system in the whole of Africa. In Ghana they pay about 25 cents per kilowatt hour. You've got West African countries paying 30, 35 cents per kilowatt hour. So, when you look at our per capita income we're not the poorest country in Africa, I really don't understand why we need to fix tariffs at that low rate. If you moved you could literally double the tariffs, and that would attract investment into power.

Until you get power right you are not going to have manufacturing. So, what came out of Enugu was look, since the governor of the central bank is official economic advisor to the government I have to take up that role within government of pushing for reforms in power. So, again, I know you will have heard this about not keeping turf, but this is my turf; I have an invested interest.

If the government is not leading on power you are not going to have manufacturing. And if they [the banks] don't lend to manufacturing, and they've got all this money they've got to return to shareholders, they're going to get into real estate speculation, capital markets speculations, commodities-related speculation. So, the power reforms are at the heart of what we do. Now, the question is how much of it is a lack of understanding, how much of it is vested interests.

FT: But there are a lot of people who benefit from the status quo.

LS: So, unfortunately that is another battleground that has been opened. I can't do anything about it, but it is there, and I can choose not to, but I've chosen to go into it.

FT: But this brings back to the sort of political point. You say it is inevitable and you have no choice; nonetheless you are up against the people that some would say run Nigeria. And this is going to be an incredible difficult thing to do; you are trying to redraw some of the most fundamental problems in the country. It just seems that the scale of that challenge is enormous.

LS: Yes, the scale is enormous. Personally I think I can do it, and that is why I'm doing it. I think we overestimated their power. I think we allowed them for too long to stop us from moving. And I think they are not as strong as they think they are. Look, when we were going to remove the bad guys people said you can't do that, we don't know what is going to happen; and we've removed them. And before a court of law I will put some of them in prison; they will go. We will push it to the supreme court, we will make sure that in the cases where we do have evidence that can stand in a court of law we will make sure that we pursue that to its logical conclusion. And I suppose it is the same thing with everything else. You can only do your best and try and apply your own abilities and contacts. And frankly I do believe that once people see that … all that I can do is serve as a catalyst for change. Obviously one person cannot change. But what happens often is when you begin you then get a few people that believe the same way, who come up, and…

FT: Who are those people?

LS: They will come. I'm sure that I will get support in the cabinet. I'm sure I'll get support from the business community. I'm sure there will one or two that will stand up and speak.

FT: There have been mistake along the way, inaccuracies in the debtors' list or what have you. Has it all gone according to plan?

LS: It's gone wholly according to plan. I think the mistakes that have been made are not mistakes of principle, and they are not mistakes that are due, let's say, to a lack of diligence. There has been collateral damage. I'll give you a few examples. We've had names that were published as directors of companies and they had left the board, but the records of banks did not show that they had resigned. And when people came to us and said look, we have letters, we resigned from this company, we've actually filed; when this came to the commission we have promptly apologised and said well, we regret it, but this is the information that we had from the banks. Within the grand scheme of things we're not perfect and we do acknowledge that maybe one or two things could have been done better. I haven't seen anything that I would have done differently.

FT: Didn't you have to reverse course over [removing Mike] Adenuga [from the board of] Equatorial Trust Bank?

LS: Yes, but that wasn't about making a mistake at all; it was about a negotiation process that followed his removal. I had to make a number of judgments. I'll tell you what the judgments were.

One, ETB: as a bank accounts for less than 1 per cent of total market. When you net out the part of the business that is related to Adenuga's own companies it was about 0.5 per cent. How much energy are we to dissipate on that bank? It was unlisted, it therefore had no capital market related issues, no capital market manipulations, it didn't have any margin loans, the number of loans were significantly associated with companies owned by Adenuga, he agreed to make immediate payments; I think so far he has paid down Naira 26bn. We did turn those into performing loans. He committed to re-capitalise the institution to dilute his ownership and move very quickly, under our own guidance, into an M&A arrangement, on the condition he accepted our own appointed management to remain in place.

FT: This is an M&A arrangement with whom?

LS: I'm not at liberty now to talk about the institution he is talking to, but he did disclose he was in the process. He started a process, and he subsequently came and said he had started a process of discussion with one of the local banks that would basically take the bank into a larger institution. Now, given all of that, and given the fact that I had Union, Intercontinental, Oceanic, PHB to deal with, I made the judgment that given that there were also other things which this same person owns – Glo, which is a telecoms company, [petroleum group] Conoil – and as someone also looking at the macro economic implications of actions I had to think of whether it was worth risking trouble in the oil marketing and telecoms sectors. Because if people thought Adenuga was not credit worthy, and if the business of Glo or Conoil suffered, I had to make the judgments as to whether, for the kind of infractions we saw in a bank that was half a percent of the market, were worth taking that risk. So, that was the judgment I made. So, it wasn't about a mistake; it was about if we can fix this problem, and by making sure he complies with these rules, then... Look, they are going to pay us back the Naira 30bn we gave them; this week they are going to pay it back. So, that is how quickly it's been resolved.

FT: What about the other people who are beyond your control? The obvious case is [former Intercontinental boss] Erastus Akingbola, who is in London or West Africa or wherever he is.

LS: Yes, but he is not beyond our control. He will come back.

FT: Are you sure?

LS: Well, at the moment we are considering reporting to the Serious Fraud Office, and we are putting together the information. We told our lawyers to advise us on that. I have contacted a solicitor in the UK and we are getting legal advice in the UK.

FT: On extradition?

LS: If I could try him in the UK it is better; I might get a stronger conviction in the UK.

FT: That's another conversation. But presumably you're going to use the EFCC in this and in the real estate recovery as well, if you're looking abroad, Dubai and elsewhere?

LS: Yes, we've got to use the EFCC, we've got to use Interpol, we've got to trace assets, and that is why it's actually better to use the AMC so the banks can continue. This is a process that can go on for a very long time. You've got to trace. You've got evidence of movement of money, for instance, from banks to accounts abroad, and we need to go to those accounts and find out where the money went from there and see if it went into assets, and see if we can use the authorities in those countries to recover those assets.

FT: Where do you see growth next year?

LS: Growth has always come in the Nigerian economy from agriculture and from general commerce; those have been the major drivers of growth. In oil it declined for three quarters, but it has turned around now, so that is going to be another source of growth. Unfortunately manufacturing contribution has been minimal and sometimes negative, as the factories have closed down. My great focus now is to work on what needs to be done to get manufacturing up. There are a number of initiatives. First, along with the ministry of finance, our efforts at getting all the tax exemption and changes to the rules governing capital market operations to allow companies to raise corporate debt. That would give access to the long-term funding that is required for financing the oil sector. Some of that would come from the banks themselves, raising corporate debts, corporate bonds, and then being able to grant 10-, 15-year exposures to manufacturing companies, which is what manufacturing actually requires.

FT: This is the whole point of the [nascent] bond market, isn't it?

LS: Yes.

FT: Otherwise you have the maturity mismatch [preventing the banks doing long-term lending].

LS: Exactly, because all the time the manufacturers have had to borrow from commercial banks at very high rates of interest. So, if we can get 10-year money at relatively low rates of interest because the tax regime says it's possible to do that, and attract investments, then that addresses part of the problem. The power reforms address the second part of the problem.

On questions of capacity building for SMEs, in some countries, like Malaysia, you had the whole SME body that was chaired by the prime minister and several ministers. Now, we may not have that in Nigeria, but you could in a state, for instance, have a governor who is sufficiently committed to sit on an SME board. And then we can work with them and see how we can build the managerial capacity that would allow SMEs to borrow. So, that is the thought process broadly.

FT: Do you have a growth number for next year you're looking at?

LS: You know frankly it all depends on whether we do things right. The growth this year, with all the problems, was 7 per cent. If you took Lagos for instance, Lagos' contribution to non-oil GDP is about 40 per cent. If we got to Lagos alone and financed a few infrastructure projects with a very high multiplier effect, and financed growth or the recovery of industries using the Bank of Industry or using the banking system or capital markets, if you added just 10 per cent to the GDP of Lagos that is actually a 4 per cent return to non-oil GDP. So, if you had an intelligent and disciplined approach to the real economy you could easily go into double digits. That is really, for me, what the objective would be. But then I've got to work with the ministry of power, ministry of finance, I've got to work with the ministry of industries, I've got to work with the state governments.

FT: You will have seen the websites touting you for the presidency.

LS: No, I haven't, honestly.

FT: Do you have any presidential ambitions?

LS: No, I don't. I have ambitions to be the emir of Kano [to which he is in line].

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